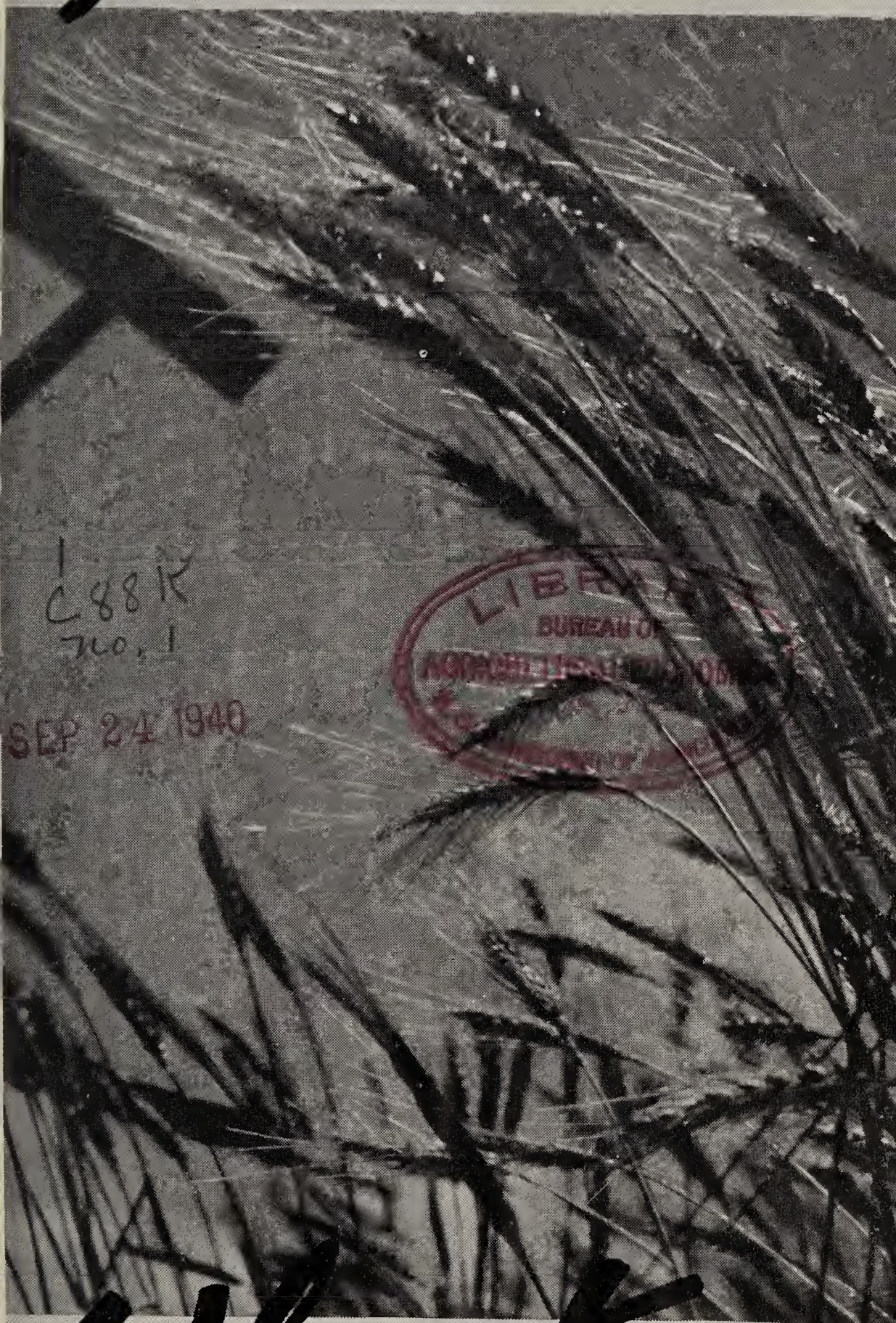


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Do not assume content reflects current scientific knowledge, policies, or practices.

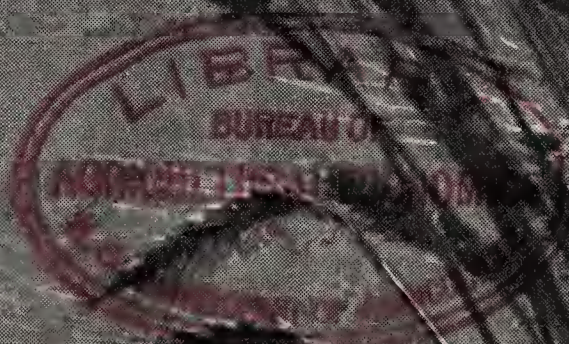
¹C88K
no. 1
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Insured



¹C88K
no. 1

SEP 24 1940



Wheat Income



Crop insurance now makes it possible for you, as a Kansas farmer, to plan your operations and expenses as you prepare your fields many months before harvest.

Crop Insurance for 1941

This season Kansas wheat growers will again have an opportunity to insure their next (1941) wheat crop under the Federal crop-insurance program. Proven by 2 years of successful experience, this program is well fitted to serve Kansas wheat growers.

(Federal crop insurance protects the wheat crop against all unavoidable hazards, guaranteeing 75 percent of an average yield. The crop is protected from loss by any cause except failure to plant and care for it properly.)

To the wheat farmers of the Nation this protection is, in effect, available without cost, because over a period of years wheat growers should get back in indemnity payments as much wheat as they paid into the Corporation in the form of premiums. Yet every year the insured farmer can be sure of wheat income from 75 percent of a normal crop. It is an easy way of storing a little of the wheat that the farmer produces in good years to protect him in the lean ones—the years when he needs income most and when the price of wheat is usually higher than in the years when he has a big crop.

Through wheat crop insurance Kansas can be assured of receiving every year at least 75 percent of an average wheat crop—the crop which is her greatest source of wealth.

See your local AAA Committee for details. The final date for accepting 1941 wheat crop insurance contracts is August 31, 1940.

Crop insurance enables farmers to use their good crops . .



to protect their wheat income when crops fail.

Insured Wheat Income

Wheat Income Unstable. Here is some evidence every Kansas wheat grower should consider.

1. Every year Kansas wheat growers invest on the average 60 million dollars in preparing their land and seeding a crop. Often portions of the crop, frequently financed with borrowed money, are destroyed by weather hazards, insects, or plant disease.

2. The spectacular development of the wheat industry of Kansas has brought great wealth to our State—but on the other hand the twin hazards of crop failure and price failure have too often robbed farmers of their full reward.

3. Every year SOME wheat growers lose their crops. Each year during the 10 years from 1930 to 1939, an average of 3.4 million acres planted in the hope of producing a crop have been abandoned. This represents an annual loss of approximately \$15,000,000 in money invested in preparing and seeding those acres.

4. The past instability of the Kansas wheat industry has brought untold hardships to Kansas farmers and has caused severe dislocation of industry and trade. Frequent loss of wheat in-

come has made it impossible for many wheat growers to finance the proper care of their crops and pay their taxes. Business has suffered. Every drop in farm income in Kansas brought with it a corresponding drop in retail sales.

5. Kansas wheat growers would have been better off if they had been able to lay aside some wheat each year to sell for cash in the poor years. The 6 years from 1930 to 1935 demonstrate this point. During the first 3 years—1930–32—Kansas produced an average of 186 million bushels a year, a total of 558 million bushels. These big crops sold for only 30 to 60 cents a bushel. The security of the Kansas farm home was severely threatened. Then came years of drought and widespread grasshopper damage. From 1933 to 1935 the harvest averaged only 70 million bushels. Farmers who produced a crop did get more per bushel for their wheat, but thousands of farmers had no wheat at all to sell.

6. Such drastic changes in production and prices of wheat prove the need of acreage adjustments, the Ever-Normal Granary, and crop insurance.

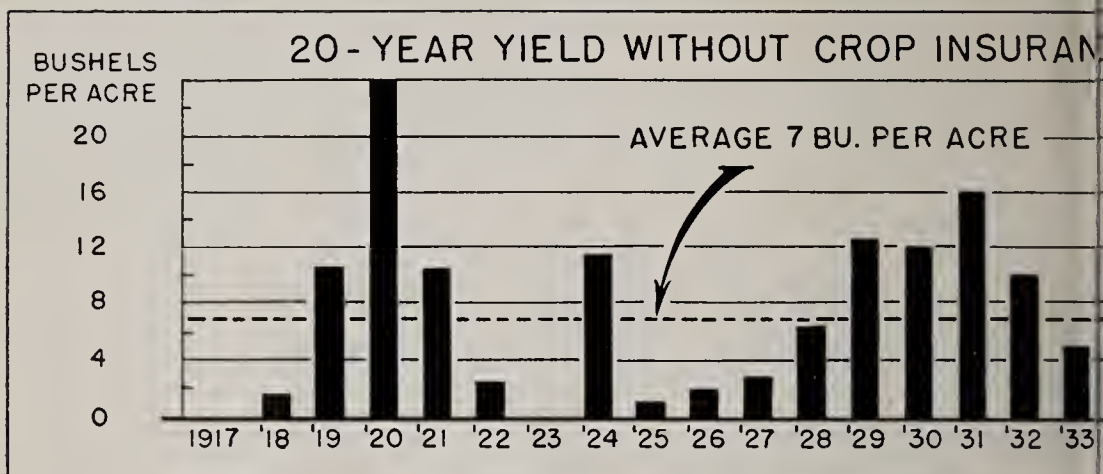
Protection. Wheat crop insurance is “all-risk.” It guarantees the grower against loss of the crop from unavoidable hazards including drought, hail, wind, frost, winterkill, fire, disease, insect and animal pests.

The guaranteed yield is either 50 or 75 percent of the average yield of the individual farm.

Wheat Acreage Abandonment in Kansas From 1930 to 1939

Year	Acreage seeded	Acreage harvested	Percentage abandoned	Acreage abandoned
1930....	13,640,000	13,085,000	4.1	555,000
1931....	13,884,000	13,609,000	2.0	275,000
1932....	12,945,000	10,347,000	20.1	2,598,000
1933....	13,205,000	7,346,000	44.4	5,859,000
1934....	12,677,000	8,595,000	32.2	4,082,000
1935....	13,438,000	6,876,000	48.8	6,562,000
1936....	14,244,000	10,542,000	26.6	3,702,000
1937....	17,104,000	13,170,000	23.0	3,934,000
1938....	16,933,000	14,487,000	14.5	2,446,000
1939....	13,885,000	9,706,000	30.1	4,179,000

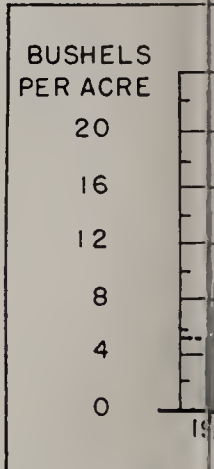
A Long-range Program



With Insurance: Let us see what would have happened in this 20-year period had the grower been able to insure his crop for 75 percent of his average yield.

YIELDS.—The net total yield for the period would have been the same as without insurance, taking into account the premiums paid by the grower. However, its distribution would have been much improved. The grower would have received every year at least 1,500 bushels.

He would have collected insurance in 9 of the 20 years; yet at the end of the period indemnities received would have equaled premiums paid.



INCOME.—Wheat income actually would have *increased*, due to the fact that in years of general crop failure wheat prices were usually higher than in the other years and the grower had at least 1,500 bushels to sell.

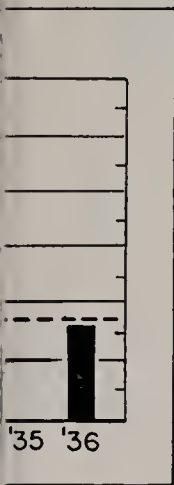
The grower's total wheat income for the farm would have amounted to \$58,962 instead of \$45,324. Allowing for \$9,240 spent in crop insurance premiums, that would leave a net wheat

Wheat income buys the things we wear . . .



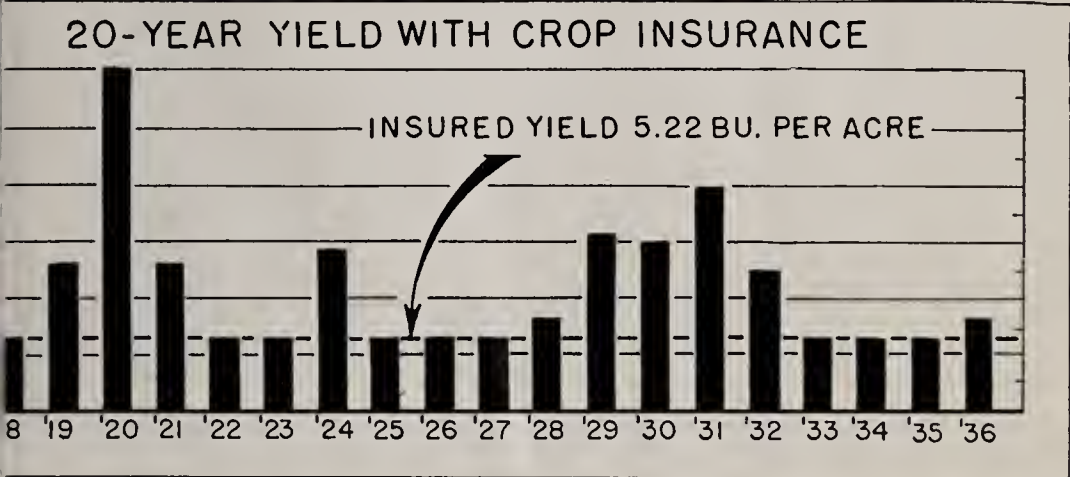
Crop insurance will serve best the farmer who makes it a part of his long-range operating plan—who considers it as much a part of good, safe farming as the use of good seed and modern methods of tillage.

Here is the 20-year history of a typical 300-acre Kansas wheat farm, showing how “all-risk” crop insurance would have helped to distribute wheat income, and would have made it possible for the farmer to avoid the recurrent shock of wheat-crop failures.



Without Insurance: YIELDS.—As much as 24 bushels an acre was harvested in 1 year. In other years—nothing. The farm made eight crops that rated as good-to-bumper yields. In 6 years the crops were considered barely good enough to harvest. In 3 years the crops were a complete failure. The 20-year average was 7 bushels an acre.

INCOME.—Total income for 20 years was \$45,324, or about \$2,266 a year. It was badly distributed, with most of it coming in the first 10 years and little or none in the second 10 years. In one bad stretch the farmer had an average income only *one* year in *six*.



return of \$49,722, or an increase of \$4,398 over the \$45,324 income for the same farm *without* insurance. In other words, insurance would have increased the grower’s wheat income by a net of \$220 per year.

Most important, of course, is the fact that in any single year the grower would have been sure of at least an income from 75 percent of his average yield.

and provide
good,
wholesome
food.

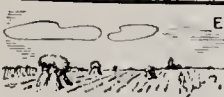


Crop Insurance in Kansas

Although Federal "all-risk" crop insurance was not available prior to the 1939 crop, it already plays an important part in Kansas wheat economy.

In 1939, the first year of the program, 14,886 Kansas growers insured their crops. Contracts were issued covering an estimated 882,500 acres, for an insured production of 7,328,000 bushels.

Kansas Farmers Collected 13¼ Million Bushels of Wheat Insurance in 1939



EACH DOT REPRESENTS 1,000 BUSHELS OF INDEMNITIES
 TOTAL NUMBER OF INDEMNITIES PAID ----- 5,640
 TOTAL BUSHELS PAID AS INDEMNITIES ----- 1,727,752
 ACREAGE INDEMNITIES PAID ON ----- 424,493

The 1939 crop was severely damaged by drought in the fall after seeding and by many other hazards before harvest. Through insurance many growers received wheat income that they would otherwise have lost. Altogether, 5,640 growers reported losses and received indemnities amounting to 1,727,752 bushels of wheat.

The 1940 Insured Production for Kansas Was 23¾ Million Bushels



Each dot represents 10,000 bushels insured production
 Estimated acres insured - 2,800,000
 Estimated insured production - 23 3/4 million bushels

In 1940, the second year of the program, Kansas growers led all States, with 60,500 crop insurance contracts in force. They paid 3,978,000 bushels of premiums to insure an estimated 2,865,000 acres for a production of 23,792,000 bushels.



DROUGHT:

These few shriveled kernels
came from three heads of wheat.

A Program to Insure Wheat Yields

NOW Kansas growers can be sure of an income when they seed their wheat. When they invest their hard-earned money and their hard work in a crop they can be sure of at least a substantial part of their average wheat income. Under the Federal wheat-crop insurance program any grower can insure an income of at least 75 percent of his average yield.

The Ever-Normal Granary program for wheat loans permits the wheat grower to store his wheat when prices are low. With money borrowed under the wheat-loan program he can maintain good farming operations and still hold his wheat for a better price.

By insuring their harvests Kansas growers are taking direct action to stabilize their income. The premiums they pay are held as actual wheat in storage. In this reserve the wheat is held in trust for insured growers. It can only be released to make up for the short crops that are sure to come in the future. In effect, Kansas wheat growers are removing a part of their big crops

from the market. They are shaving the tops off the bumper years and adding them to the production in poor-crop years. This will not increase the total production of the insured growers, but it will bring them income when they need it most. In the past a few fortunate growers benefited from the higher prices resulting from widespread crop failure. With crop insurance, it is possible for the unfortunate growers to benefit along with the fortunate.

Premiums. Premiums for wheat-crop insurance are based on the actual or appraised loss experience of the farm. Premiums vary from 0.5 of a bushel an acre on low-risk farms to 2.5 bushels an acre for high-risk farms.

Indemnities. If the actual yield falls below the insured yield, the insured grower is entitled to receive indemnities sufficient to bring his total production up to the insured production. For instance, if the crop is insured for 12 bushels an acre, but the actual yield is only 8, the Corporation would indemnify the grower to the extent of 4 bushels an acre.

"All Wheat" Program. An unusual and vital feature of the crop-insurance plan is that all payments are made in terms of *bushels of wheat*. Insurable yields and premium payments are figured out in terms of wheat. For convenience, growers may pay their premiums with a warehouse receipt representing wheat in storage, they may pay them in the cash equivalent of wheat at the market price at the time the payment is due, or they can be paid by an advance against payments to be earned under the Agricultural Adjustment Administration programs. Whether payments are made in cash or "in kind," all premiums are immediately invested in actual wheat and stored in the insurance reserve. This wheat, held off the market until needed to meet crop losses, along with wheat under loans, constitutes the Ever-Normal Granary. From this

reserve, whenever losses occur, indemnities too are paid in terms of wheat.

Capital Reserve. Besides wheat reserves, the Corporation has an authorized capital stock of \$100,000,000, of which \$20,000,000 has been appropriated. This capital supplements the wheat reserve. In case indemnities exceed the amount of the wheat reserve in any 1 year, the capital reserve may be drawn upon to meet the indemnity payments.

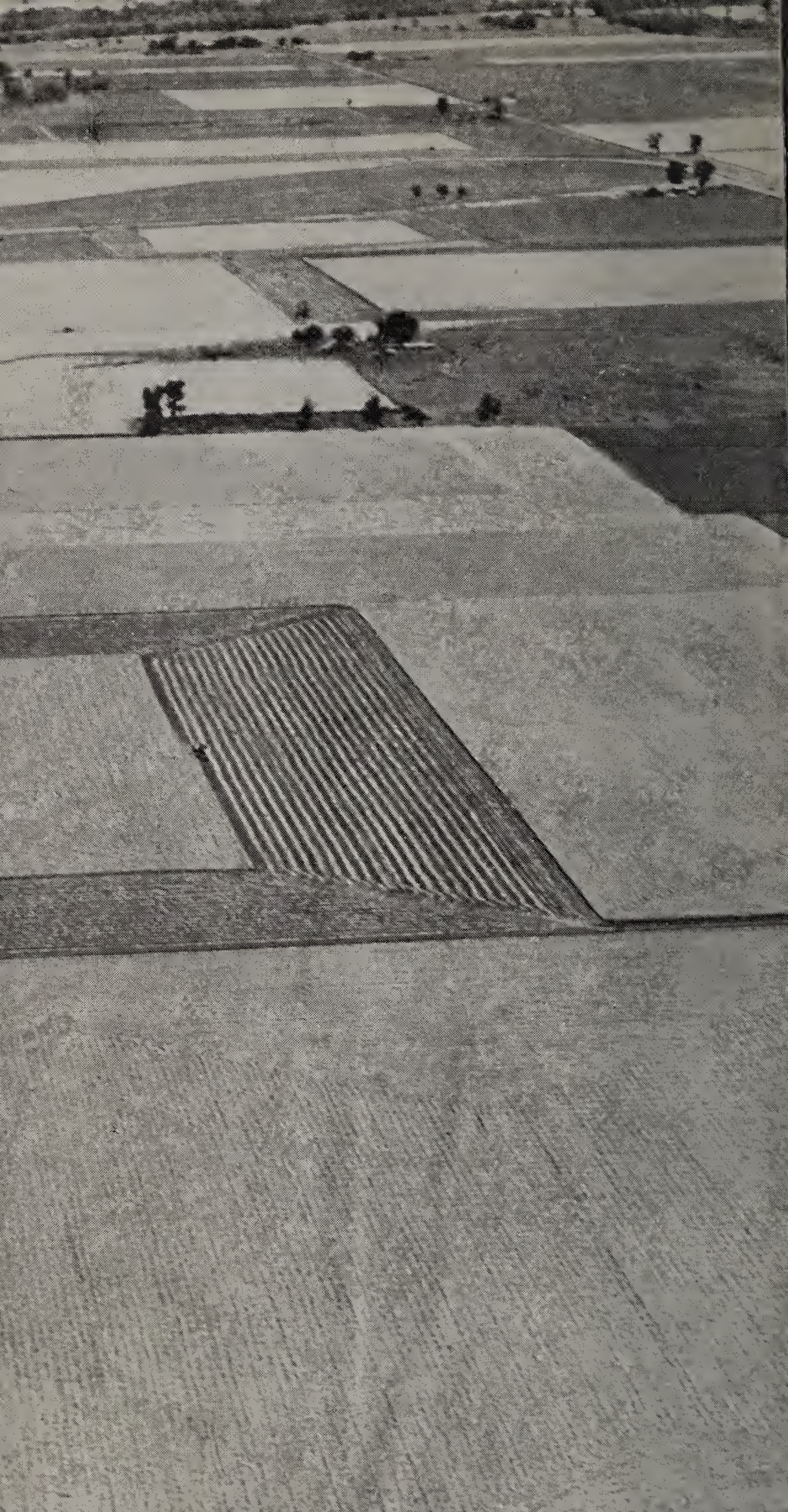
Use of capital reserves to pay indemnities when indemnities exceed the premiums in any 1 year should be considered not as a loss for that year because such reserves will be replaced in years when indemnities are less than premiums.

Who May Participate. The wheat-crop insurance program is available to all persons who have an insurable interest in a growing wheat crop. Owner-operators, tenants, sharecroppers, and landlords all are eligible. Each may complete his own contract for his own interest.

Each grower may insure on all the acreage in his wheat-acreage allotment under the AAA program.

Wheat income EVERY year is
the goal of all wheat growers.





The Kansas Agricultural Conservation Committee
Cooperating with
The FEDERAL CROP INSURANCE CORPORATION
U. S. Department of Agriculture

FCI—Kansas Leaflet No. 1

Issued June 1940